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June 17, 2004

**RECEIVED**

JUN 17 2004

PUBLIC SERVICE  
COMMISSION

Ms. Beth O'Donnell  
Executive Director  
ENVIRONMENTAL AND PUBLIC  
PROTECTION CABINET  
PUBLIC SERVICE COMMISSION  
P.O. Box 615  
Frankfort, Kentucky 40602-0615

**RE: South Anderson Water Purchase Contract**  
Your Case No. 2003-00394  
Our File No. 2301

Dear Executive Director O'Donnell:

Pursuant to your Order of June 2, 2004, enclosed you will find a photocopy of the fully executed Water Purchase Contract between the City of Lawrenceburg and the South Anderson Water District. Also enclosed you will find a photocopy of Ordinance 2004-14, amending the rates and charges relating to water service provided to water districts under contract by the City of Lawrenceburg. This Ordinance is to be published in *The Anderson News* on June 23, 2004, and with such publication become effective.

It is believed the enclosed documents comport with the June 2, 2004, Order entered by you in the Matter of: Proposed Adjustment of the Wholesale Water Service Rates of the City of Lawrenceburg, Case No. 2003-00394.

If you have any questions regarding the enclosures, or additional information and/or documentation from the City of Lawrenceburg is required, please do contact this office.

Sincerely,

*Robert L. Chenoweth*

Robert L. Chenoweth

JDM/  
Enclosures

c: Bobby Sparrow, Mayor  
Ray Edelman, Esq.

COPY

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the 14<sup>th</sup> day of June, 2004, between the City of Lawrenceburg, 205 East Woodford Street, Lawrenceburg, Kentucky 40342, hereinafter referred to as the "Seller," and the South Anderson Water District, P.O. Box 16, Lawrenceburg, Kentucky 40342, hereinafter referred to as the "Purchaser,"

WITNESSETH

Whereas, the Purchaser is organized and established under the provisions of KRS 74 of the Code of Kentucky Revised Statutes, for the purpose of constructing and operating a water supply distribution system serving water users within the area described in plans now on file in the office of the Purchaser and to accomplish this purpose, the Purchaser will require a supply of treated water, and

Whereas, by Resolution No. 2004-04 enacted on the 12th day of April, 2004, by the Seller, the sale of water to the Purchaser in accordance with the provisions of the said Resolution was approved, and the execution of this contract carrying out the said Resolution by the City of Lawrenceburg, and attested by the Secretary, was duly authorized, and

Whereas, by Resolution of the Board of Commissioners of the Purchaser, enacted on the 20<sup>th</sup> day of May, 2004, the purchase of water from the Seller in accordance with the terms set forth in the said Resolution was approved, and the execution of this contract by the South Anderson Water District, and attested by the Secretary was duly authorized;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements hereinafter set forth,

A. THE SELLER AGREES:

1. (Quality and Quantity)

To furnish the Purchaser at the point of delivery hereinafter specified, during the term of this contract or any renewal or extension thereof, potable treated water meeting applicable purity standards of the Kentucky Health Department, the Anderson County Board of Health, and the Kentucky Division of Water in such quantity as may be required by the Purchaser but not less than 8 million gallons per month.

2. (Point of Delivery and Pressure)

That water will be furnished at a reasonably constant pressure from the Seller's water distribution system at master meter locations. In the event that the Seller fails to furnish potable treated water as defined above and the Purchaser is required to incur costs for mailing required "notices" to its customers, then the Seller will reimburse the Purchaser for its costs incurred within thirty (30) days of receipt of a billing statement from the Purchaser. If a greater pressure than that normally available at the point of delivery is required by the Purchaser, the cost of providing such greater pressure shall be borne by the Purchaser. Emergency failures of pressure or supply due to main supply line breaks, power failure, flood, fire and use of water to fight fire, earthquake or other catastrophe, shall excuse the Seller from this provision for such reasonable period of time as may be necessary to restore service.

3. (Billing Procedure)

To furnish the Purchaser at the above address on or about the same day of each month, with an itemized statement of the amount of water furnished the Purchaser during the preceding month.

B. THE PURCHASER AGREES:

1. (Rates and Payment Date)<sup>1</sup>

To pay the Seller, not later than the 28th day of each month following the billing date of each month, for water delivered in accordance with the following schedule of rates:

a. \$2.08 per 1,000 gallons for the first 8 million gallons, which amount shall also be the minimum rate per month.

b. \$1.94 per 1,000 gallons for water in excess of 8 million gallons.

2. (Metering Equipment)

To furnish, install, operate, and maintain at its own expense at point of delivery, the necessary metering equipment, including a meter house or pit, and required devices of standard type for properly measuring the quantity of water delivered to the Purchaser and to calibrate such metering equipment whenever requested by the Purchaser but not more frequently than once every twelve (12) months. A meter registering not more than two percent (2%) above or below the test result shall be deemed to be accurate.

The previous readings of any meter disclosed by test to be inaccurate shall be corrected for the twelve (12) months previous to such test in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless Seller and Purchaser shall agree upon a different amount. The metering equipment shall be read on or about the same day each month. An appropriate official of the Purchaser at all reasonable times shall have access to the meter for the purpose of verifying its readings.

C. IT IS FURTHER MUTUALLY AGREED BETWEEN THE SELLER AND THE PURCHASER AS FOLLOWS:

1. (Term of Contract)

That this contract shall extend for a term of forty-five (45) years from the date of the initial delivery of any water as shown by the first bill submitted by the Seller to the Purchaser and, thereafter may be renewed or extended for such term, or terms, as may be agreed upon by the Seller and Purchaser.

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<sup>1</sup> By amendment to Section 51 of the Code of Ordinances of the City of Lawrenceburg "water districts shall pay a rate of \$2.08 per 1,000 gallons for the first 8 million gallons and \$1.94 per 1,000 gallons for all gallons in excess of 8 million gallons." This ordinance and rates shall be subject to change at the end of every two year period beginning January 2006 based on the results of a Cost of Service Study, and any such change shall apply equally to any and all such water districts as served by the City of Lawrenceburg.

2. (Delivery of Water)

That thirty (30) days prior to the estimated date of completion of any new construction of the Purchaser's water supply distribution, the Purchaser will notify the Seller in writing the date for the initial delivery of water.

3. (Water for Testing)

When requested by the Purchaser, the Seller will make available to the contractor at the point of delivery, or other point reasonably close thereto, water sufficient for testing, flushing, and trench filling the system of the Purchaser during construction, irrespective of whether the metering equipment has been installed at that time, at a flat charge of \$2.08 per 1,000 gallons which will be paid by the contractor or, on his failure to pay, by the Purchaser.

4. (Failure to Deliver)

That the Seller will, at all times, operate and maintain its system in an efficient manner and will take such action as may be necessary to furnish the Purchaser with quantities of water required by the Purchaser. Temporary or partial failures to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or the supply of water available to the Seller is otherwise diminished over an extended period of time, the supply of water to Purchaser's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's consumers is reduced or diminished.

5. (Modification of Contract)

That the provisions of this contract pertaining to the schedule of rates to be paid by the Purchaser for water delivered are subject to modification at the end of every two (2) year period. Any increase or decrease in rates shall be based on a demonstrable<sup>2</sup> increase or decrease in the costs of performance hereunder, but such costs shall not include increased capitalization of the Seller's system. It is anticipated that the first Cost of Service Study will be completed in 2005 based on data from the most current complete fiscal year. Therefore, the first possible rate adjustment will not occur until January 2006. Other provisions of this contract may be modified or altered by mutual agreement.

6. (Regulatory Agencies)

That this contract is subject to such rules, regulations, or law as may be applicable to similar agreements in this State and the Seller and Purchaser will collaborate in obtaining such permits, certificates, or the like, as may be required to comply therewith.

7. (Miscellaneous)

That the construction of the water supply distribution system by the Purchaser is being financed by a loan made or insured by, and/or a grant from, the United States of America, acting through Rural Development of the United States Department of Agriculture, and the provisions hereof pertaining to the undertakings of the Purchaser are conditioned upon the approval, in writing, of the State Director of Rural Development.

8. (Successor to the Purchaser)

That in the event of any occurrence rendering the Purchaser incapable of performing under this contract, any successor of the Purchaser, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of the Purchaser hereunder.

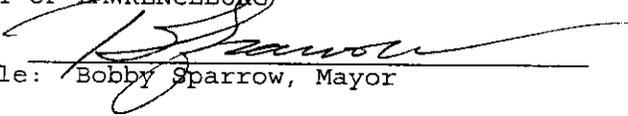
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<sup>2</sup> A Cost of Service Study constitutes a demonstrable methodology to validate an increase or decrease in rates.

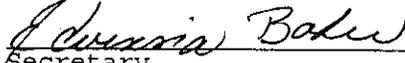
IN WITNESS WHEREOF, the parties hereto, acting under authority of their respective governing bodies, have caused this contract to be duly executed in duplicate counterparts, each of which shall constitute an original.

SELLER:

CITY OF LAWRENCEBURG

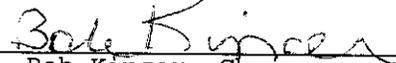
By:   
Title: Bobby Sparrow, Mayor

Attest:

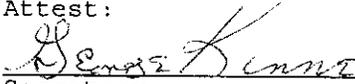
  
Secretary

PURCHASER:

SOUTH ANDERSON WATER DISTRICT

By:   
Title: Bob Kincer, Chairman

Attest:

  
Secretary

COPY

AN ORDINANCE AMENDING RATES  
AND CHARGES RELATING TO WATER SERVICE

ORDINANCE 2004-14 (Amending Ordinance 2003-09)

WHEREAS, the Board of Council of the City of Lawrenceburg desires to amend Ordinance 2003-09 which provided for a revised schedule of rates and charges for the use of the service and facilities of the water system owned and operated by the City of Lawrenceburg, including the cost for water connection; and

NOW THEREFORE, BE IT ORDAINED BY THE BOARD OF COUNCIL OF THE CITY OF LAWRENCEBURG, KENTUCKY, as follows:

Section 1 — WATER CONNECTION CHARGE.

(A) As to any water customer, except as provided in subsection (B) or (C) of this section the city will provide and install at a basic cost of one thousand dollars (\$1,000.00) a water meter three-quarter (3/4) inch by five-eighths (5/8) setting, and up to fifty (50) feet of water main extension, to any customer submitting an application for water service in such form as may be prescribed from time to time, and agreeing to use water service and pay the prevailing rates for not less than one year, and complying with such deposit or other security provision as may be prescribed. If more than fifty (50) feet of water main extension is required, the cost of all in excess of fifty (50) feet shall be borne by the customer, and such cost, as estimated by the city, shall be deposited with the city in case when application is approved by the city; subject to refund by the city if the deposit exceeds actual cost, and subject to the requirement of a supplemental payment by the customer if the deposit is deemed to be insufficient.

(B) For installation at the Anderson County Community Park, the City will provide and install:

(1) At a basic cost of five hundred dollars (\$500.00) a water meter, three-quarter (3/4) inch by five-eighths (5/8) setting, to Anderson County Fiscal Court when it submits an application for water service in such form as may be prescribed from time to time, and agrees to use water service and pay the prevailing rates for not less than one (1) year.

(2) At a cost of one thousand dollars (\$1,000.00) for the first meter and at a cost of one thousand two hundred dollars (\$1,200.00) for all subsequent installations, a water meter two-inch setting, to Anderson County Fiscal Court when it submits an application for water service in such form as may be prescribed from time to time, and agrees to use water service and pay the prevailing rates for not less than one (1) year.

(C) The charges established hereinabove in subsection (A) of this section shall be waived provided the application has been submitted by a tax exempt status, eleemosynary, charitable, or benevolent association or corporation.

## Section 2 — WATER SERVICE CHARGES.

Rates and charges for the use of the service and facilities of the system are established and prescribed, effective in the manner and upon the respective dates hereinafter set forth, as follows:

### (A) Metered Water Service.

(1) All water meters shall be read monthly, and the following rates and charges shall be applied to the meter-readings, and billed, collected, and enforced with no distinction being made as between users and customers inside and outside the corporate limits of the city (except as indicated):

#### Residential Customers

Metered Water Usage	Monthly Rate
First 2,000 gallons	\$10.25 minimum
All over 2,000 gallons	\$3.20 per 1,000 gallons

#### Commercial/Industrial Customers

Metered Water Usage	Monthly Rate
First 2,000 gallons	\$10.25 minimum
Next 198,000 gallons	\$3.20 per 1,000 gallons
All Over 200,000 gallons	\$2.90 per 1,000 gallons

(2) Water Districts shall pay a ~~straight~~ rate of ~~\$2.18~~ \$2.08 per 1000 gallons for the first 8 million gallons and \$1.94 per 1000 gallons for all gallons in excess of 8 million gallons.

(B) Private Fire Protection Rates.

Private fire hydrant standard \$5.00 per hydrant per month.

Sprinkler system with six inch connection \$18.00 per connection per month.

Sprinkler system with eight inch connection \$30.00 per connection per month.

(C) Temporary Special Arrangements. In the matter of furnishing water service upon a temporary basis to circuses, carnivals, tent meetings, outdoor athletic events (other than those carried on by the public schools), and other miscellaneous temporary uses, a flat rate may be fixed in each individual case and the service charge shall be paid in advance.

(D) Consumer Price Index (CPI) Adjustment of Rates. On or before March 1 of each calendar year this ordinance is in effect, the Treasurer for the City of Lawrenceburg shall access from the Kentucky Department for Local Government, or its successor, the annual increase or decrease in the consumer price index (CPI) of the preceding year as otherwise set out in KRS 83A.075 at the time of the enactment of this Ordinance. If the CPI has increased, the Treasurer shall calculate an increase of the rates and charges for the usage of water by applying the CPI to each rate and charge. Notice of the CPI percentage increase of each water rate and charge shall be mailed to each customer not later than May 30 and published in a local newspaper qualifying under KRS Chapter 424. This CPI adjustment of rates shall not apply to rates paid under contract by Water Districts.

(E) The rates paid by Water Districts under contract shall be subject to change at the end of every two year period beginning January 2006 based on the results of a Cost of Service Study.

~~(E)~~ (F) Applicants for water and sewer service must place a \$100 deposit with the city. This payment may be refunded if the applicant maintains a good payment record for one year after service has begun.

Passed and approved by the Board of Council of the City of Lawrenceburg, Kentucky, at a duly called

